now I may not be able to come back... (*Interruption*)... Let me be allowed to continue. The situation was not a happy one. Once something happens on a particular day, it is the duty of the State Government to see that it is prevented in future. But recurrence is a thing that worries me, especially the recurrence of the killings on 13th, 14th and 15th; the recurrence of the killings of the 15th instant is something very, very sad and painful. So, whatever we have we shared with them. That is why I said, "we are waiting for the report from the U.P. Government." But I will assure the House that this Government will not waste a moment to see that communal harmony is maintained in the country. At the moment, law and order is a State subject. We all know that. We respect a duly elected State Government. But, when it is a communal tragedy, a holocaust, the nation has duty and the duty will have to be performed at the appropriate time by the Central Government. This Government will have to do certain things to see how best we can avoid such communal riots.

डा० रत्नाकर पाण्डेय : नहीं, 8 तारीख को आडवाणी जी बनारस में थे या नहीं थे, यह मैंने पूछा था। ...(व्यवधान) मंत्री महोदय ने बहुत अच्छा भाषण दिया। ...(व्यवधान) 8 तारीख को आडवाणी जी बनारस में थे या नहीं? ...(व्यवधान)

SHRI M. M. JACOB: I will report that my information is this.

डा० रत्नाकर पाण्डेय : सारे अखबारों में छपा है कि 8 तारीख को आडवाणी जी वहां थे और गृह मंत्रालय अगर इतना अक्षम है कि सच्चाई नहीं कह सकता तो क्या मामला है? सच्चाई यह है कि 8 तारीख को आडवाणी जी बनारस में थे। मैं झूठ हूं तो मंत्री जी सूचना दें, यह मैं जानना चाहता हूं? ...(व्यवधान)।

SHRI KAPIL VERMA: I want to know whether the communal riot was instigated. I want to know what the Minister's information is.

श्रीमती सरोज खापर्डे : मैडम, आडवाणी जी वहां पर गए हुए थे इसलिए... (व्यवधान)

डा० रत्नाकर पाण्डेय : या फिर अखबारों के खिलाफ कार्यवाही की जाए, प्रैस कौंसिल में जाया जाए या मंत्री महोदय बताएं कि मैं सत्य कह रहा हूं या नहीं कह रहा हूं, 8 तारीख को आडवाणी जी वाराणसी में थे या नहीं? भारत सरकार का विजिलस क्या कर रहा है?

THE DEPUTY CHAIRMAN: Clarifications. ..(*Interruptions*)... Now that matter is closed, (*Interruptions*) ...That discussion is concluded. Now, we will have the clarifications on the statement made by the Minister of Finance on 22nd November, 1991. I will call Mr. Jagesh Desai to ask for the clarifications.

Clarifications on the Statement made by the Minister Re. Gold Transactions

SHRI JAGESH DESAI (Maharashtra): Madam, I have great pleasure to hear that all the gold which we have pledged has been redeemed. I compliment the Government for its action. But, Sir, I would like to know from you that out of the total which you have used for redeeming the pledge what the figures regarding NRI deposits are, what the response is to the bonds quoted and what the remittances are that you have received in dollars or other hard currencies. I am very happy that today as regards our foreign exchange we are on a better footing. But only to earn some foreign exchange if you allow the export of foodgrains which are required for the common man the

[Shri Jagesh Desai]

prices will go up. These exports are so sensitive. Earlier, when you were exporting HPS immediately the price went up. Today also we are seeing that when you allow wheat to be exported the traders are taking advantage and the price of wheat is going skyhigh. When we try to earn foreign exchange by exporting foodgrains we should be very careful to see tht the prices do not go up and affect the common man. I am sure the hon. Minister will give his thought to this. I am going to make a Special Mention on the increase of prices. As the Government has decided to export wheat and enough wheat is not given to the public distribution system, the price is going up. I can understand the export of vanaspati oil. Other varieties of foodgrains such as rice are also exported. It will have an impact on the price rise in the country. Therefore, the Government should take proper action so that this kind of increase in prices does not happen. I am happy that after you took charge of the Finance Ministry, you have taken very, very effective steps and tried to see your best to bring down the inflationary rate to the extent of a single digit. I wish you all success in your endeavour.

As regards NRI deposits, what we call gifts, I have information that it is because in National Housing Bonds you have to pay 40 per cent, but if a gift of dollars or other hard currency is made, in that case the premium is 20 per cent. Now it has gone up to 36 per cent. As such I feel that this has been made a weapon in the hands of the NRIs that instead of depositing it in the banks, they send it through agents by way of gift and Indian black money is converted into white money by this method by paying only 20 per cent. If they deposit in National Housing Bonds, they have to pay 40 per cent. Now the permium on the policy has gone up to 36 per cent. I think you will now be able to attract National Housing Bonds. I would like the honourable Finance Minister to examine this aspect. What were the deposits before the scheme was launched and what are the deposits in banks by NRIs now, so that a clear picture could emerge? I am sure the Minister will look into these aspects so that Indian black money getting converted into white money by way of gifts is stopped.

SHRI RANJIT SINGH (Haryana): Madam Deputy Chairman, I congratulate the honourable Minister for getting back the gold which was sent out as a painful necessity for the country in those circumstances. The clarification I would like is this. India is a member of the IMF and could get a long-term loan. We criticised the Government for getting a short-term loan because it definitely damaged our reputation in the international market. My question is whether in order to get this gold released we have again taken a loan or whether we have managed the funds from our own sources, from our own income or whether we have repaid the whole amount through our income from the NRI scheme. And when we have repaid the whole amount which we had taken as loan, then why is not the gold released yet?

SHRI A. G. KULKARNI (Maharashtra): Madam Deputy Chairman, I congratulate the Prime Minister and the Finance Minister for the herculean job they have done and for the confidence they have created in the Indian public. When gold was sent out by the previous Government when Mr. Sinha was the Finance Min ister next when you became the Finance Minister, I said that the emotional aspect of the Indian people should be taken into consideration. We are politicians and we know the people's feelings. Anyway, our Prime

Minister and you yourself, Mr. Finance Minister, deserve our congratulations for bringing back the gold. I made a suggestion at that time—and Mr. Vajpayee was also a Member here—India has the largest amount of private gold with the people. People have an emotional attachment to it. If I am not mistaken—I may be quoting a little lower figure—the Indian community is in possession of gold worth Rs. 30,000 crores. Therefore, is there any possibility of creating a gold bank whereby by appealing to the patriotism of the people to keep faith in the Government's credibility, such situations can be avoided in future? In this connection, I have two or three clarifications to seek. Of course, we have brought back the gold. That is the economic parameter at present and it has been quoted as encouraging. But in the long term, I do not think we could sustain. Devaluation has created a rosy picture. You have said that Rs. 6000 crore is the present foreign exchange reserve. But I would like to know as to how much of this reserve is due to devaluation and the increased cost or lower cost of rupee and the increased cost of dollar. Further, if we look at the deficit, the inflation and the export performance, I think we can carry this impression a little further. The value of exports has been quoted as 23 per cent, but if you compare them in dollar terms the value is ridiculously low. It is as low as 6 per cent. I would like the Minister to clarify on that. Another aspect which you had touched upon in your budget speech is that you would make substantial savings in the expenditure of the Government. What is the actual quantum of saving which you have achieved? In reply to a question you said that this will be reflected in the 1991-92 budget estimates. I would like to know from the Minister as to what the indications are to that effect so that people can have more faith in what the Government is doing. My last point is as regards the IMF conditionalities. The IMF conditionalities should be kept on the Table of the House; otherwise the rumours that the Government has lost its credibility cannot be buried.

SHRI JOHN F. FERNANDES (Goa): At the outset, I congratulate the hon. Finance Minister for this marvellous feat. Within four months he did a wonder by getting back the gold. It was stated earlier when the gold was being sold that 20 tonnes of gold was being sold rupees seventy less per tola as against the then prevailing market rates. I would like to know from the Minister as to what was the price or amount paid by him to repurchase the gold. The statement says that the gold will be kept in the custody of the Central Bank and I suppose this Central Bank is a foreign bank. I would like to know from the Minister as to when this gold will be transferred to our Reserve Bank. I quote a statement made by him on 18h of July, 1991, "that it will be the sincere effort of the Government to bring back the gold as early as possible". I would like to know how early the gold will be transferred to our Reserve Bank. The Minister has also stated in his staement that 20 tonnes of gold which had been confiscated will be added to the gold that has been repurchased and they will form part of the national reserve. I would like o know from the Minister the value of such confiscated gold which is impounded by the Customs Office. It has been stated that the repurchase of gold will begin from 25th November and will continue till 4th December. I hope the Minister will come before the House with a proper statement in due course of time.

THE DEPUTY CHAIRMAN: I think the Procedure is that when the statement is made, Members give their names the same day. I got ten names and out of this, three are from the Congress party. Actually I received more names from this party

[The Deputy Chairman]

but as per the agreement three Members from a party are allowed to speak, hence there are three names on the list.

But now I am getting new names today. If we break our tradition, thee will be no end to it. So, I request the honourable Members to kndly abide by the rules and help me in saving your time. It does not make any difference to me if you speak about gold or make a Special Mention because I have only to sit here and I have to run the House.

SHRIMATI JAYANTHI NATARAJAN (Tamil Nadu): We need not take up the Special Mentions now. We will go in with this.

THE DEPUTY CHAIRMAN: Just a minute... (*Interruptions*)... The Member has agreed to withdraw his name. I thank him for that and I will now request the Minister to reply. I thank the Member for his gesture. I would request the honourable Member and others also to give their names in advence in future. Yes, Mr. Minister.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Madam, in my statement the other day I had given the House the information with regard to our having redeemed our pledge to buy back the gold that we had to send out. Several Members who have participated in this debate have sought some clarifictaions and I will try to answer their questions to the best of my ability.

Shri Desai asked about the sources of finance. Now, the sources of finance of this are like this: part of it is due to the improvement in our trade balances, part of it is obviously the money that we got from the IMF. Now, as far as the remittances are concerned, I have answered this question earlier in this very House and my colleague, the Minister of State, has mentioned that the flow of remittances still have been in the other direction. We have reduced very greatly the outflow of non-resident external currency deposits as compared with the outflow that took place before our Government came into office. But, so far, remittances have not been a major source of contribution to our balance of payments improvements.

Shri Desai made a suggestion that we should not be exporting essential commodities in order to improve our balance of payments position. Let me say that I share his concern about the price situation. But this country is faced with an extremely difficult situation on the balance of payments also. We have to import essential commodities like fertilizers. This country consumes about 12 million tonnes of fertilizers and, of these, there million tonnes are imported. We do not produce potash in this country at all. All these have to be imported. If we do not export some commodities...

SHRI A. G. KULKARNI: We have to export sugar also.

SHRI MANMOHAN SINGH: .... if we do not do this thing, we will not be able to import essential commodities. This year, the domestic production of crude oil is going to be lower than last year's by four million tonnes. Now, where are we going to get the money from if we do not improve our export performance? Therefore, I respectfully submit that while we are very conscious of the fact that we should not be exporting essential commodities which will affect the price line, we are in such a desperate situation that no effect essential imports, we have to make those sacrifices and I would request the House to understand the difficult situation that we have been facing.

Shri Ranjit Singhji asked why, if we could get money from the IMF, we should get short-term loans against gold. The situation that we faced at that time in respect of the IMF was not sure and we were not

sure whether we would be able to secure the loan from them. At that time, nobody was willing to give any money to us. In fact, both these decisions to export gold were taken not by our Government but by the previous Government. And I have said that they were right decisions in those difficult circumstances. So, I am not criticising them. At that time, there was no other option. Nobody else was willing to give loans. And, therefore, this was the only route. Now that the Indian economic situation has improved and we have entered into an arrangement with the International Monetary Fund, we do not, I think, feel that we are in that desperate situation.

Shri Kulkarni made a suggestion with regard to the mobilisation of the domestic gold resources. Well, I think that is a suggestion that we are examining. But let me also, Madam, state that the love for gold and the people's willingness to part with gold is also a function of the amount of trust people have in Governments. These are the weapons of a strong Government. We have to improve the country's financial situation. If we have a Government which is having year after year massive fiscal deficits, I respectfully submit that people are not going to lend a large amount of gold to that sort of a Government. So, an improvement in the financial and fiscal situation of our country is a pre-condition for the success of any attempt to mobilise gold. That is a task with which we are engaged, and we will pursue that thing.

With regard to the reserves, Shri Kulkarni asked whether our reserves improved in rupee terms or in dollar terms. I am glad to tell him that our reserves have improved even in dollar terms. At the end of June, for example, in US dollar terms, our reserves were 1.19 billion dollars. On the 25th of November, our reserves were 2.46 billion dollars. Therefore, in dollar terms also, there has been a very substantial improvement. In the meanwhile we have repaid these gold loans of worth about 600 million dollars. So, there are visible signs of improvement in our balance of payment situations. But I do not want to, I think, claim or want to assert that the balance of paymens crisis is over or that this country's problems have been solved. We have bought some time to do the basic restructuring, to restore the fiscal health of our economy, to restore the competitive capacity of this country to improve the productivity of our economy. All that will take time. Therefore, this improvement, welcome though it is, should not lull us into complacency that we have solved the problems of this country. I said earlier in this very House that it takes years to build confidence, it takes days to destroy it. Now, if something happens, if we do not go about reconstructing our economy on sound lines, we could go back to the situation in which we were in June. And I mentioned earlier also that if this country for example, witnesses large scale lockouts or strikes, this could weaken confidence in our economy. So, it is the collective responsibility of all patriotic sections of our counry to help restore and strengthen confidence in our economy. That is the only way in which we can bring about further improvement in the economic circumstances of this country.

Shri Kulkarni also asked the question about the export performance. It is true that our export performance has not been encouraging. But there also, I would respectfully submit that you have to break this year's export performance into two areas. There is export to the rupee payment areas, to the Soviet Union. Now those are in non-convertible currencies and because we cannot now get from the Soviet Union some of the essential things which we were importing earlier, we have been deliberately trying

[Shri Manmohan Singh]

to go slow on exporting to those areas. Now the biggest fall, over 50 per cent fall in export is to the rupee payments area. Now outside that area, in dollar terms also, the export growth rate has been quite good—6 per cent in the current year is the growth rate in dollar terms. I am not satisfied with that. But exports are improving even in dollar terms. There is already clear evidence that exports to convertible currency areas have increased this year also in dollar terms. But we cannot be satisfied. We must improve upon that performance. Shri A. G. Kulkarni also asked, what is happening to the budget deficit. I can assure the House and I feel confident that when I will present the budget for next year, the promise that I made to this august House that we will reduce the financial deficit at the end of this year to not more than 6.5 per cent of GDP, will be fulfilled.

As regards IMF conditionalities, Madam, it is our intention to lay the letter of intent that I had sent to IMF on the Table of the House. This will be done during this very Session.

Shri Fernandes asked where the gold will be kept. There were two components of the gold that we shifted. One was the 47 tonnes of gold from the Reserve Bank. The Reserve Bank law allows the Reserve Bank to keep upto 15 per cent of its gold stock outside the country. It is our intention, ultimately, to bring back that gold also. But for the time being we are keeping that gold with the Bank of England because I do want the rest of the world to believe that we are very serious in honouring all our contractual commitment. We will use all avenues to improve our balance of payments position, to improve reserves position. But for some time I do want to keep this gold with the Bank of England as an assurance to the world, that come what may, we will not default on our international obligations.

As far as the confiscated gold is concerned, it is our intention to bring that gold back. It is also my intention to transfer that gold to the Reserve Bank of India so that India's official gold reserves will go up as a result of this transaction. I believe, Madam, I have answered most of the questions.

SHRI RAGHAVJI (Madhya Pradesh): Madam, an hon. Member has asked the rate of selling gold.

SHRI MANMOHAN SINGH: As far as the gold transactions are concerned, the 20 tonnes of confiscated gold was the only gold which was sold with the repurchase option. The first transaction took place yesterday, the 25th. The last will be on the 4th of December. I will inform the House whatever the final outcome.

SHRI MENTAY PADMANABHAM (Andhra Pradesh): Madam ..

THE DEPUTY CHAIRMAN: That matter is over. You cannot come from the back door and ask questins. That matter is oves now. Now we will take up the Special Mentions.

SPECIAL MENTIONS

Situation arising out of the Government's moratorium on wage negotiation of public sector undertakings

श्रीमती कमला सिन्हा (बिहार): मैडम, मैं आपके माध्यम से सरकार का ध्यान एक बहुत ही महत्वपूर्ण विषय की ओर खींचना चाहती हूं। मैडम, आपको शायद मालूम होगा कि गवर्नमेंट ऑफ इंडिया ने एक मारिटोरियम लगा दिया है।